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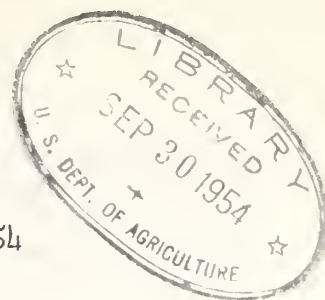
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Commodity Stabilization Service  
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Dairy Price Supports

The Secretary of Agriculture announced on February 15, 1954, a reduction in the level of price support for manufacturing milk and butterfat from 90 to 75 percent of parity, effective April 1, the beginning of the 1954-55 marketing year. This action was made necessary by an increase in the number of dairy cows, large feed supplies, increased milk production, heavy price support purchases and mounting government stocks of dairy products.

The Agricultural Act of 1949 requires that the Secretary support prices to producers for milk and butterfat at such level from 75 to 90 percent as will assure an adequate supply, and provides that the support shall be carried out by loans on, or purchases of, dairy products.

Price support purchases of dairy products during the 1953-54 marketing year were equivalent to over 10 percent of the year's milk production. Most of the supplies utilized during the year had been acquired under the preceding program. Stocks accumulated at the end of the 1953-54 program were equivalent to about 10 percent of the year's milk production even though determined efforts were made to develop outlets. Large quantities of dairy products acquired under the support program have been donated for use in school lunches and for welfare purposes in the United States. Additional quantities have been donated or sold at less than cost for welfare uses abroad. Substantial supplies also have been transferred to the armed services and Veterans' Administration. But purchases continued to outstrip utilization and total stocks continued to rise. It was essential that increased consumption of milk and its products in all forms be encouraged by permitting a general decrease in retail prices.

On February 18, the Secretary announced U. S. average support prices of \$3.14 per hundred pounds of manufacturing milk of 3.95% butterfat content (the yearly average test) and 56 cents per pound of butterfat in farm separated cream. These prices subsequently were revised to \$3.15 for manufacturing milk and 56.2 cents for butterfat because the parity index increased slightly between the time the program was announced and the beginning of the marketing year.

The Secretary also announced on February 18 that the Commodity Credit Corporation would offer to buy dairy products in carlots during the marketing year beginning April 1, 1954 at stated prices. These prices

were revised effective July 12 because the average prices received by farmers had been below the legal minimum of 75 percent of the parity equivalent price for manufacturing milk. The originally announced and the revised purchase prices are shown below.

	April 1 to July 11	Revised effective July 12 (Cents per pound)
Butter, U. S. Grade A or higher:		
Chicago, San Francisco, and Seattle .....	57½	57½
New York .....	58¼	58¼
Butter, U. S. Grade B:	2 cents less than U. S. Grade A	
Cheddar Cheese, U. S. Grade A or higher:	32.25	33.25
Nonfat dry milk solids, U. S. Extra Grade:		
Spray process .....	15.00	16.00
Roller Process .....	13.25	14.25

The purchase prices in effect on July 12 represent reductions from the previous marketing year of about 8¼ cents per pound of butter, and 3-3/4 cents per pound of cheese. The purchase prices are the same for spray and ¼ cent higher for roller nonfat dry milk solids. The decrease in the support level and corresponding decreases in the purchase prices of butter and cheese made possible substantial reductions in the retail prices of these and most other dairy products.

The Department of Agriculture has received and considered many suggestions to help solve the dairy problem. They have included the following:

Use of more dairy products in school lunches, welfare purposes, and by the armed services; increasing the butterfat content of bottled milk and other dairy products; placing new dairy spreads on the market; more advertising and promotion of milk and its products; sale of dairy products for export at reduced prices; distribution of stamps or coupons that consumers could use to buy dairy products; permitting prices to consumers to decline and making payments to processors or directly to farmers equal to the difference between market prices and the support level; and bargain sale or other plans that, in one way or another, would decrease the average cost of dairy products to consumers and increase consumption.

The Department has worked with representatives of producers, distributors and retailers in studying the practicability of such proposals and plans.

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Some of them are being carried out. Some would be primarily the function of industry rather than the Government. Others either would require additional legislation, would be difficult and costly to administer or would not assure sufficient benefit either to producers or consumers to warrant undertaking them. The Department is continuing to give careful consideration to all proposals. Meanwhile, the Congress is considering additional legislation.

Purchases, uses, and stocks of dairy products under the price support program are summarized in monthly press releases.









